



## **CITY OF HAYWARD**

### **AGENDA REPORT**

AGENDA DATE 06/06/00

AGENDA ITEM 3

WORK SESSION ITEM           

**TO:** Mayor and City Council

**FROM:** Director of Community and Economic Development

**SUBJECT:** Downtown Business Improvement Area Annual Report, Proposed Budget for FY 2000-2001 and Setting Public Hearing for June 20, 2000

#### **RECOMMENDATION:**

It is recommended that the City Council accept the Annual Report of the Downtown Hayward Business Improvement Area (DBIA) and adopt a resolution setting a public hearing for June 20, 2000 to consider the DBIA annual levy.

#### **BACKGROUND:**

Hayward's Downtown Business Improvement Area ("DBIA") was established by the City Council in 1984. The DBIA's purpose is to promote the economic revitalization and physical maintenance of the downtown business district, to attract new businesses to the downtown and to create jobs.

The DBIA's boundaries are shown on Exhibit A. This area includes slightly more than 400 holders of Hayward business licenses. Within it are two "benefit zones"—each with different levy rates. Zone 1 rates are higher than those in Zone 2, to acknowledge that more DBIA resources are targeted to the Zone 1 downtown core. State law requires that levy rates relate to the amount of benefit derived by the businesses being assessed.

The DBIA Advisory Board is comprised of up to nine business owners who represent various business license categories in each benefit zone. The DBIA has been administered by Redevelopment Agency Staff since the Hayward Downtown Association discontinued operations in 1997.

Exhibit B is comprised of the DBIA Advisory Board's annual report and budget recommendations. The annual report and budget recommendations reflect careful deliberation by the DBIA Advisory Board about how to best utilize the modest sums raised through the levy. The amount budgeted for proceeds from the levy has been adjusted to \$46,000. This more accurately reflects the actual receipts recorded in recent years by the City. The Redevelopment Agency would supplement those funds with a \$20,000 contribution—the same amount contributed in past years. The resulting annual budget total is similar to DBIA budgets endorsed previously by the City Council. It should also be acknowledged that the Redevelopment Agency makes a significant non-cash contribution to the DBIA in the form of staff support, office supplies and postage.

DBIA activities have generally focused on special events and promotional campaigns to improve the downtown's image, and to attract potential customers to the area. Activities during the past fiscal year include an antique faire and a holiday event coinciding with the City's own "Light Up the Season" celebration. As part of the holiday event, a full set of banners were acquired as well as a set of street lamp wreath decorations for the B Street corridor. Both of these events have generated a more positive outlook on the part of the business community and local residents and they will be continued. In addition, the BIA has contracted with the Chamber of Commerce to produce merchant newsletters, newspaper advertising pieces and a downtown business directory.

In keeping with the City Council's desire to attract more people downtown, the Advisory Board is proposing to contract with the Chamber of Commerce to host three evening "street parties" in June, July and August. The Advisory Board has requested \$15,000 in Redevelopment Agency funds for this purpose. Staff recommends this proposal be funded on a pilot basis. If the City Council approves, staff will add these funds in the FY 2000-01 budget.

No changes in the levy rates are suggested at this time, nor are boundary changes recommended. However, in the Annual Report the DBIA recommends that certain issues concerning collections and the perception of inequity in levy rates and benefits derived by outlying business locations be given careful consideration during the upcoming fiscal year. The DBIA Advisory Board is sensitive to these issues, but realizes that study and analysis are needed to better understand the nature of the problems and the possible remedies.

Staff recommends that the City Council adopt the attached resolution approving the annual report and budget. In addition, the attached resolution tentatively sets levy rates for the upcoming fiscal years and sets a date for a public hearing to adopt the levy.

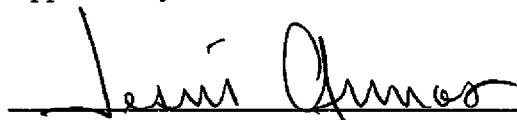
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Recommended by:

  
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Approved by:

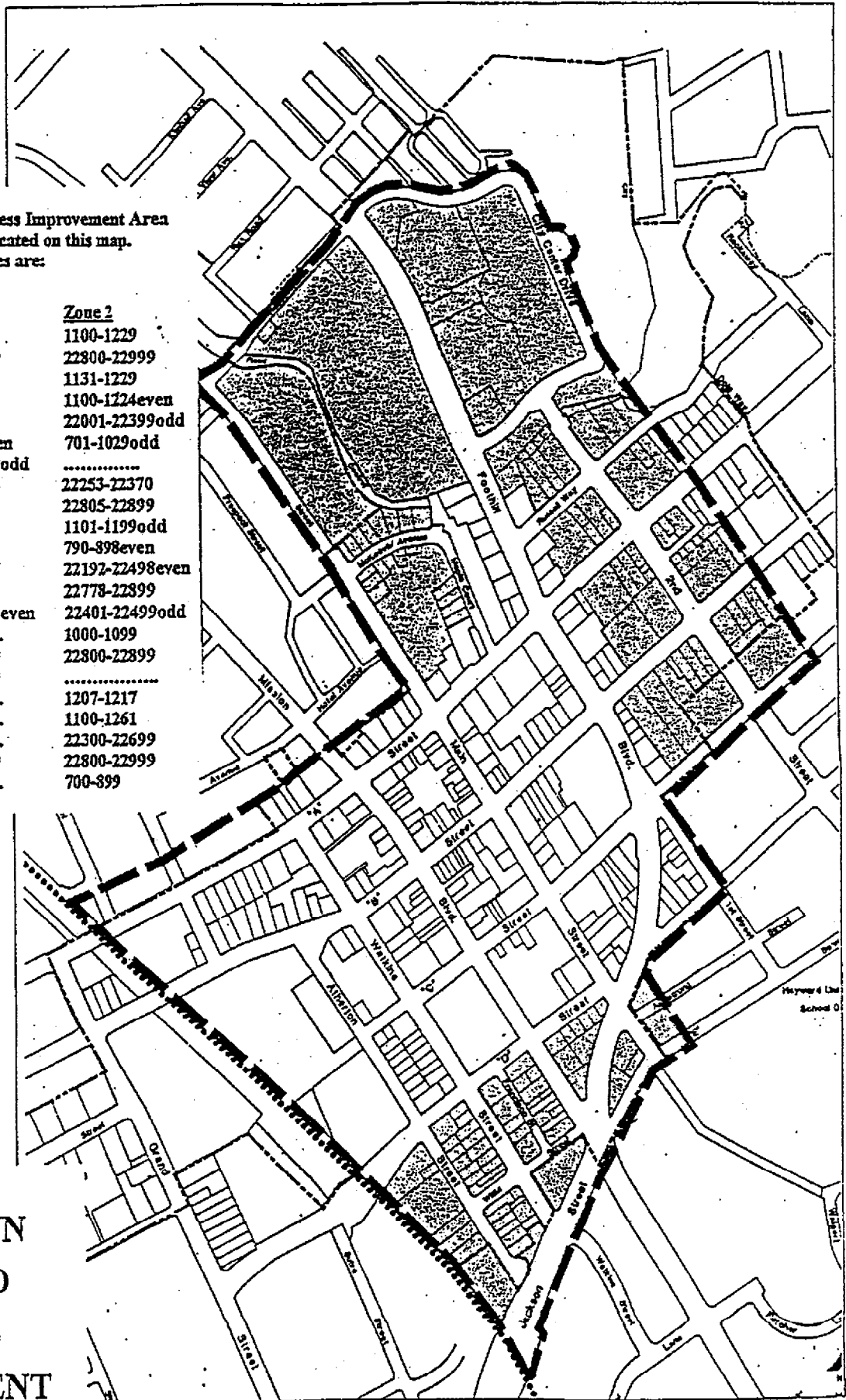
  
Jesús Armas, City Manager

Attachments: Exhibit A – DBIA boundaries & benefit zones  
Exhibit B – DBIA Annual Report and Proposed Budget for FY 2000/2001  
Resolution for June 13, 2000 public hearing

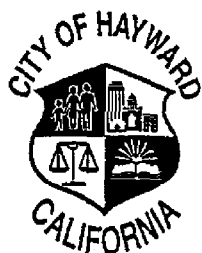
The Downtown Hayward Business Improvement Area is divided into two zones as indicated on this map. Addresses included in both zones are:

<u>Street</u>	<u>Zone 1</u>	<u>Zone 2</u>
A Street	636-1099	1100-1229
Atherton	22660-22799	22800-22999
B Street	630-1130	1131-1229
C Street	700-1099	1100-1224even
City Center Dr	.....	22001-22399odd
D Street	700-1098 even	701-1029odd
First Street	22701-22799odd	.....
Foothill Blvd.	22380-22803	22253-22370
		22805-22899
Hazel Ave.	.....	1101-1199odd
Jackson	.....	790-898even
Main Street	22500-22777	22192-22498even
		22778-22899
Maple Ct.	22400-22498even	22401-22499odd
McKeever	.....	1000-1099
Mission	22484-22799	22800-22899
Montgomery	22500-22599	.....
Richard Pl.	.....	1207-1217
Russell Way	.....	1100-1261
Second St.	.....	22300-22699
Watkins	22500-22799	22800-22999
Willis Ave.	.....	700-899

# DOWNTOWN HAYWARD BUSINESS IMPROVEMENT AREA



The DBIA Zone 1 area is the unshaded portion of the map above.



## ***Downtown Hayward Business Improvement Area***

### **Annual Report and Proposed Budget for Fiscal Year 2000/2001**

#### **Introduction**

Hayward's Downtown Business Improvement Area ("DBIA") was established in 1984 to promote the economic revitalization and physical maintenance of downtown Hayward. In doing so, the DBIA's objectives are to create jobs and attract new businesses downtown. State enabling legislation allows DBIA funds to be used for capital improvements and promotional activities. This state law also requires that the citizen board that advises on DBIA assessment rates and expenditures submit a report annually describing the DBIA's activities and budget allocations. The DBIA advisory board may also recommend modification of the methods used for levying charges. The board may also suggest changes to the DBIA's perimeter boundaries, or the boundaries of "benefit zones" within the DBIA. After consideration of the DBIA's recommendations, the City Council either accepts and approves the report as submitted, or approves it after making modifications.

#### **Summary of DBIA Activities during Fiscal Year 1999/2000**

The DBIA's activities during the current fiscal year were funded with business tax surcharges received from businesses located in Zones 1 and 2 of the DBIA (budgeted at \$48,000), as well as \$20,000 in funds contributed by the Redevelopment Agency. This, along with funds carried over from the previous fiscal year, resulted in a total budget of just under \$100,000. Actual DBIA assessments received were approximately twelve percent less than budgeted, however, causing appropriate modifications in spending decisions.

Activities during the current fiscal year included promotional publications, special events, the purchase of holiday decorations and of one set of decorative banners. The largest percentage of the budget is committed to a contractual agreement with the Hayward Chamber of Commerce, which coordinates the production of promotional tabloid inserts in the *Daily Review*, as well as newsletters that are distributed to businesses within the DBIA boundary. A significant component of the Chamber's contract is for preparation of the "Destination Downtown" Business Directory. Approximately forty thousand copies were published and inserted into the *Daily Review*, with additional copies printed for circulation by other means.

Arguably, the most significant activities of the DBIA in FY99/00 required less out-of-pocket expense, but a much higher investment of staff time. The July 1999 Antique Fair—produced by a professional promoter—involved net DBIA cash and non-cash expenses exceeding \$6,000. The event was highly successful in the eyes of the promoter, the DBIA and the downtown merchant community. Approximately 80 vendors rented booths from the promoter—providing his source of earnings from the event. The Saturday event attracted strong crowds. This year's event is scheduled for Sunday, July 16. The same promoter has been engaged, and he hopes for at least 135 vendors in booth space on both B Street between Foothill and Mission boulevards. Main Street between A and C streets would also have vendors.

A second special event—not originally budgeted for—was December's *Light Up The Season*. In this case, the DBIA successfully scheduled a promotional event to complement the City-sponsored events in the City Hall rotunda. A collaborative effort by the DBIA, the Chamber of Commerce, the ad-hoc *Light Up The Season* committee, the *Daily Review* and a number of community groups attracted large numbers of families downtown on a Wednesday evening. Organization of this event required significant staff and volunteer time, and was achieved on a fairly small budget. Its most significant impact might be how it reinforced the positive effects of the July antique fair. An intangible but seemingly real psychological shift has occurred in the downtown business community, where many now feel the downtown economic climate is consistently improving.

DBIA funds were used to purchase an entire set of 135 decorative holiday banners that were installed prior to the *Light Up The Season* event. DBIA funds were also used to acquire lighted "wreath lamp cover" decorations to adorn the new ornamental light standards on B Street downtown.

## **Annual Report for Fiscal Year 2000-2001**

The report that follows covers six topic areas as required by state law:

### **1. Proposed Boundary Changes**

No changes to the DBIA's boundary, or those of the two benefit zones, are recommended at this time. However, the advisory board is sensitive to the concerns of many businesses that do not perceive a beneficial impact from DBIA expenditures. In particular, businesses north of A Street and east of Foothill Boulevard have most frequently expressed this view. Some downtown businesses feel that DBIA monies inordinately benefit B Street merchants, and that it should have its own "benefit zone" status, allowing a higher assessment rate. The DBIA advisory board recommends study of a designation for B Street, between Foothill and Watkins, with its own benefit zone status and levy rate.

### **2. Improvements and Activities for FY 2000/2001**

The DBIA's revenues are not large enough to budget for significant physical improvements in the downtown area. The DBIA feels its modest budget has more impact via spending on special events, promotions, decorations and

cleaning/maintenance activities. For the upcoming fiscal year, proposed special event funding would include the Antique Fair and *Light Up The Season*. Funds to be used for this purpose would total approximately \$12,600.

The DBIA's funding decisions for special events are guided by its desire that events should generally be organized professionally, and become financially self-sustaining within a few years of start-up. The DBIA recently considered such a proposal from the Hayward Chamber of Commerce, which asked for "seed money" needed to organize this summer's three planned monthly summer "street parties." Since the DBIA budget could not absorb this additional expense, other sources of subsidy are being considered.

With this objective in mind, financial subsidy for the Antique Fair is being reduced, and it is hoped that no additional direct subsidy will be required in future years. In contrast, the winter *Light Up The Season* event is one where revenue generation may be more problematic over the long-term. Therefore, its subsidy requirements will likely be ongoing.

To give the downtown more holiday spirit and visual appeal, the DBIA proposes spending approximately \$5,600 on additional lighted wreaths for the tops of some of the new ornamental light standards downtown. Last season, B Street between Watkins and Foothill was decorated with these devices. The DBIA recommends approximately fifteen new ones be purchased to install on three blockfronts of D Street, between Foothill Boulevard and Atherton Street. This route is heavily used by commuter traffic will now be reminded that downtown Hayward is a shopping option during the holiday season.

Also considered were funds to acquire and decorate a tall holiday tree to be lit during *Light Up The Season*. While last year's event was a great success, many visitors expressed confusion about the event's name and the lack of a tree-lighting ceremony. A recommended location for this would be Newman Park, at B Street and Mission Boulevard. Rotary Club members have expressed interest in assisting with the logistics of this effort. Although the DBIA's budget cannot absorb this expense, staff intends to pursue other sources for this purpose.

The DBIA also recommends use of approximately \$13,500 to acquire a full set of 135 new decorative banners for seasonal placement throughout the downtown. A replacement set of banners was purchased last year. The other two sets owned are "Welcome to Downtown Hayward" and "Patriotism." Both of these sets are faded, worn and near the end of their useful lives. Ideally, one new set would be acquired during each of the next three years, with new sets then to be acquired on a rotating basis as needed. An ongoing maintenance expense of about \$5,400 is budgeted for regularly scheduled removal, storage and replacement of banners four times yearly.

The recommended budget for publications and promotions that are not specifically tied to a special event would total \$25,100, covering costs for a new edition of the downtown business directory, as well as three tabloid inserts in the *Daily Review* that are published in part to promote planned special events. These publications have

been prepared for the DBIA by the Chamber of Commerce under a professional service contract. The DBIA will continue to publish a newsletter for the DBIA members that have cost almost \$2,000 per issue. This year's budget calls for quarterly publication of the newsletter.

Finally, the DBIA recommends spending up to \$12,000 per year for steam or high-pressure cleaning of downtown sidewalks. A "request for quotations" has been circulated to eight contractors. If a proposal is accepted, this work could be suspended on certain blocks if/when planned sidewalk improvements are installed in the downtown core.

If all activities described above received the recommended budget allocations, the total cost would be approximately \$83,000. This figure in part reflects unspent funds from FY 1999/2000 that will be carried over into FY 2000/2001.

### 3. Method and Basis for Levying DBIA Assessments

No changes are proposed at this time to the levy rates or business classifications. However, the DBIA recommends that these issues be thoroughly examined during FY 2000/2001. State law requires that assessment rates and methods for different business classifications relate directly to the benefit received from the expenditure of DBIA funds. There is no scientific way to directly correlate assessments paid with benefit received, but member businesses raise issues about equitable treatment that deserve attention. These issues involve:

- The rationale for exemptions from DBIA levies.
- Business categories that are assessed by gross sales versus those assessed by flat rate.
- Enforcement actions for non-payment.

In calendar 1999, 13% of the 406 business license holders in the DBIA's boundaries were exempt from payment. Many of those are independent antique dealers who rent space in antique retail stores on B Street. One can argue that, since B Street businesses benefit from an inordinate amount of DBIA funds as well as other City investment, that these dealers should not be exempt from assessments. In 1999, the "antique dealer/used merchandise" business category paid assessments that represented less than 1% of total revenues.

In calendar 1999, the 406 business license holders represented 65 business classifications. Fifty-five of those classifications were assessed at flat-fee rates, ranging from \$75 to \$300 annually. Ten business classifications are assessed at variable rates that are determined by their gross sales. Three categories ("restaurants", "retail sales" and "sales/service") paid assessments totaling almost 47% of 1999 revenues. Since gross sales may bear no relationship to net income, this method of levying the assessment may lack fairness, and certain businesses that pay using this method may have a legitimate complaint.

Finally, the DBIA has concerns about collections and enforcement against businesses that are guilty of non-payment. The first level of concern is how carefully local businesses are monitored for the requirement to obtain—and display—a Hayward business license. Secondly, a review of DBIA receipts indicates a number of non-exempt firms have repeatedly not paid the DBIA levy. Lack of payment deprives the DBIA of funds but, more importantly, repeated lack of enforcement erodes the credibility of the DBIA in the downtown community. This may partly explain the decline of assessments received in recent years.

The DBIA hopes the Council and City staff will, in the next fiscal year, examine the need for assessment levy adjustments to directly reflect benefit received, and the need for vigorous enforcement and collections.

4. Contributions From Other Sources

In recent years, the Redevelopment Agency of the City of Hayward (the "Agency") has supplemented the DBIA's budget with a \$20,000 contribution. In addition, the Agency provides significant non-cash support in the form of professional and clerical staff, copying, and office supplies. The DBIA greatly appreciates this critical support, which substantially increases the DBIA budget. Although the healthy economy has improved the City of Hayward's revenues, the DBIA understands that the City Council is trying to control spending at this mid-point in a two-year budget cycle. Therefore, no increase in the Agency's contribution is requested.

5. Closing Statement of the BIA Advisory Board

The Downtown Hayward Business Improvement Area and its programming of expenditures has helped to revitalize Hayward's commercial core by improving its physical appearance and by sponsoring events that attract potential customers to the area. While issues of equitable treatment exist, as described earlier in this report, the advisory board feels that, overall, the collective benefits derived by businesses within the DBIA boundaries justifies its continued existence. We therefore recommend that the City Council renew the DBIA's mandate and levy for the next fiscal year. Again, the DBIA advisory board wishes to express its appreciation for the ongoing support received from the Redevelopment Agency and the City Council.



**Downtown Business Improvement Area Budget Recommendations**  
**FY 2000 - 2001**

<b>Operating Account</b>	<b>Assessments</b>	<b>Redevelopment</b>	<b>Funds Available</b>	<b>Total</b>
<b>INCOME</b>				
Assessments	46,000	---	---	
Redevelopment	---	20,000	---	
Funds Available	---	---	18,000	
Interest	1,000	---	---	
<b>TOTAL INCOME</b>	<b>47,000</b>	<b>20,000</b>	<b>18,000</b>	<b>85,000</b>
<b>OPERATING EXPENSES</b>				
Banner Maintenance	---	5,400	---	
Banner Replacement	10,900	2,600	---	
Sidewalk Cleaning	---	12,000	---	
<b>SUBTOTAL</b>	<b>10,900</b>	<b>20,000</b>	<b>0</b>	<b>30,900</b>
<b>PROMOTIONS</b>				
Newsletter-Promotions/contracts	25,100	---	---	
Special Events	11,000	---	15,725	
<b>SUBTOTAL</b>	<b>36,100</b>	<b>---</b>	<b>15,725</b>	<b>51,825</b>
<b>TOTAL EXPENSES</b>	<b>\$47,000</b>	<b>\$20,000</b>	<b>\$15,725</b>	<b>\$82,725</b>
<b>FUND BALANCE RESERVE</b>			<b>\$2,275</b>	

**DRAFT** 

**HAYWARD CITY COUNCIL**

**RESOLUTION NO. \_\_\_\_\_**

**Introduced by Council Member \_\_\_\_\_**

**RESOLUTION ACCEPTING ANNUAL REPORT AND  
DECLARING INTENTION TO LEVY ANNUAL CHARGES  
FOR THE DOWNTOWN HAYWARD BUSINESS  
IMPROVEMENT AREA FOR THE FISCAL YEAR 2000-01  
AND PROVIDING FOR NOTICE OF HEARING THEREON**

**BE IT RESOLVED** by the City Council of the City of Hayward, as follows:

1. On September 18, 1984, the City Council established the Downtown Hayward Business Improvement Area pursuant to section 36500 et seq. of the Streets and Highways Code of the State of California, which was commonly known as the Parking and Business Improvement Area Law of 1979 and, as now codified, is commonly known as the Parking and Business Improvement Law of 1989.
2. The Advisory Board for the Downtown Hayward Business Improvement Area prepared an annual report for the fiscal year July 1, 2000 to June 30, 2001, on behalf of the Downtown Hayward Business Improvement Area pursuant to section 36533 of the California Streets and Highways Code, which report, on file in the office of the City Clerk, is hereby accepted by the City Council. Said report may be referred to for the particulars as to the detailed descriptions of improvements and activities to be provided, the charges to be levied, the benefit zones within the area, the proposed charges to be levied on businesses, and the exact boundaries of the area.
3. It is the intention of the City Council to levy and collect the charges within the Downtown Hayward Business Improvement Area for the fiscal year 2000-01 as set forth in the annual report or such report as hereafter modified. The charges may be used for parking facilities serving the area, decoration or music or advertising public events in public places in the area, and to promote business activities in the area. The area is generally described on the map attached hereto as Exhibit "A".
4. Notice is hereby given that Tuesday, June 20, 2000, at the hour of 8:00 p.m., in the regular meeting place of this City Council, 777 B Street, Hayward, California, a hearing will be held on the question of the levy of the proposed charges, at which time written and oral protests may be made in compliance with sections 36524 and 36525 of the Streets and Highways Code.

5. The City Clerk shall cause notice of the hearing to be given by publishing a copy of this resolution in The Daily Review, a newspaper published and circulated in the City of Hayward, at least seven days prior to the date of the hearing specified above.

IN COUNCIL, HAYWARD, CALIFORNIA \_\_\_\_\_, 2000

ADOPTED BY THE FOLLOWING VOTE:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST: \_\_\_\_\_  
City Clerk of the City of Hayward

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney of the City of Hayward